

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Charleston
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2006

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INDEPENDENT AUDITORS' REPORT

Township Board
Township of Charleston, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Charleston, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Charleston, Michigan, as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 20 through 24, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Charleston, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

June 20, 2006

BASIC FINANCIAL STATEMENTS

Township of Charleston
STATEMENT OF NET ASSETS
 March 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,291,875	\$ 31	\$ 1,291,906
Receivables, net	76,533	2,120	78,653
Prepaid expenses	<u>2,860</u>	<u>-</u>	<u>2,860</u>
Total current assets	<u>1,371,268</u>	<u>2,151</u>	<u>1,373,419</u>
Noncurrent assets:			
Receivables, net	167,826	-	167,826
Capital assets, net of accumulated depreciation	<u>342,531</u>	<u>1,046,871</u>	<u>1,389,402</u>
Total noncurrent assets	<u>510,357</u>	<u>1,046,871</u>	<u>1,557,228</u>
Total assets	<u>1,881,625</u>	<u>1,049,022</u>	<u>2,930,647</u>
LIABILITIES			
Current liabilities - accounts payable	<u>18,069</u>	<u>2,891</u>	<u>20,960</u>
NET ASSETS			
Invested in capital assets	342,531	1,046,871	1,389,402
Restricted for:			
Public improvement	200,913	-	200,913
Public safety	123,889	-	123,889
Public works	729,442	-	729,442
Unrestricted	<u>466,781</u>	<u>(740)</u>	<u>466,041</u>
Total net assets	<u>\$ 1,863,556</u>	<u>\$ 1,046,131</u>	<u>\$ 2,909,687</u>

See notes to the financial statements

Township of Charleston
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 4,190	\$ -	\$ -	\$ -
General government	183,807	46,838	-	-
Public safety	75,543	87,823	-	-
Public works	37,194	3,236	1,091	14,333
Community and economic development	10,017	1,135	-	-
Culture and recreation	18,340	-	-	-
Total governmental activities	329,091	139,032	1,091	14,333
Business-type activities:				
Water	51,394	31,456	-	-
	<u>\$ 380,485</u>	<u>\$ 170,488</u>	<u>\$ 1,091</u>	<u>\$ 14,333</u>

General revenues
Property taxes
Franchise fees
State grants
Contributions from other units
Investment income
Other

Total general revenues

Transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (4,190)		\$ (4,190)
(136,969)		(136,969)
12,280		12,280
(18,534)		(18,534)
(8,882)		(8,882)
<u>(18,340)</u>		<u>(18,340)</u>
 (174,635)		 (174,635)
	\$ (19,938)	<u>(19,938)</u>
<u>(174,635)</u>	<u>(19,938)</u>	<u>(194,573)</u>
 100,415	-	100,415
2,690	-	2,690
121,732	-	121,732
6,352	-	6,352
47,582	-	47,582
<u>7,519</u>	<u>-</u>	<u>7,519</u>
 286,290	 -	 286,290
<u>(2,700)</u>	<u>2,700</u>	<u>-</u>
108,955	(17,238)	91,717
<u>1,754,601</u>	<u>1,063,369</u>	<u>2,817,970</u>
<u>\$ 1,863,556</u>	<u>\$ 1,046,131</u>	<u>\$ 2,909,687</u>

See notes to the financial statements

Township of Charleston
BALANCE SHEET - governmental funds
March 31, 2006

	<u>General</u>	<u>Public Safety</u>	<u>Township Improvement Revolving</u>	<u>Sewer</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 446,950	\$ 120,867	\$ 198,750	\$ 525,308	\$ 1,291,875
Receivables, net	<u>35,040</u>	<u>3,022</u>	<u>2,163</u>	<u>204,134</u>	<u>244,359</u>
Total assets	<u>\$ 481,990</u>	<u>\$ 123,889</u>	<u>\$ 200,913</u>	<u>\$ 729,442</u>	<u>\$ 1,536,234</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 18,069	\$ -	\$ -	\$ -	\$ 18,069
Deferred revenue	<u>4,576</u>	<u>-</u>	<u>2,163</u>	<u>202,776</u>	<u>209,515</u>
Total liabilities	22,645	-	2,163	202,776	227,584
Fund balances - unreserved, undesignated	<u>459,345</u>	<u>123,889</u>	<u>198,750</u>	<u>526,666</u>	<u>1,308,650</u>
Total liabilities and fund balances	<u>\$ 481,990</u>	<u>\$ 123,889</u>	<u>\$ 200,913</u>	<u>\$ 729,442</u>	<u>\$ 1,536,234</u>
Total fund balances - total governmental funds					\$ 1,308,650
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:					
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.					342,531
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.					2,860
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					<u>209,515</u>
Net assets of <i>governmental activities</i>					<u>\$ 1,863,556</u>

See notes to the financial statements

Township of Charleston
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds
Year ended March 31, 2006

	<u>General</u>	<u>Public Safety</u>	<u>Township Improvement Revolving</u>	<u>Sewer</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 136,296	\$ -	\$ -	\$ -	\$ 136,296
Licenses and permits	17,510	-	-	-	17,510
State grants	125,604	-	-	-	125,604
Contributions from other units	6,352	-	-	-	6,352
Charges for services	6,761	-	-	-	6,761
Interest	13,332	1,030	7,733	15,972	38,067
Other	9,555	76,753	-	26,583	112,891
Total revenues	<u>315,410</u>	<u>77,783</u>	<u>7,733</u>	<u>42,555</u>	<u>443,481</u>
EXPENDITURES					
Legislative	4,190	-	-	-	4,190
General government	176,381	-	-	-	176,381
Public safety	14,893	51,500	-	-	66,393
Public works	30,367	-	-	821	31,188
Community and economic development	10,017	-	-	-	10,017
Recreation and culture	18,340	-	-	-	18,340
Capital outlay	7,480	-	-	-	7,480
Total expenditures	<u>261,668</u>	<u>51,500</u>	<u>-</u>	<u>821</u>	<u>313,989</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>53,742</u>	<u>26,283</u>	<u>7,733</u>	<u>41,734</u>	<u>129,492</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	15,000	15,000
Transfers out	(17,700)	-	-	-	(17,700)
Total other financing sources (uses)	<u>(17,700)</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(2,700)</u>
NET CHANGES IN FUND BALANCES	<u>36,042</u>	<u>26,283</u>	<u>7,733</u>	<u>56,734</u>	<u>126,792</u>
FUND BALANCES - BEGINNING	<u>423,303</u>	<u>97,606</u>	<u>191,017</u>	<u>469,932</u>	<u>1,181,858</u>
FUND BALANCES - ENDING	<u>\$ 459,345</u>	<u>\$ 123,889</u>	<u>\$ 198,750</u>	<u>\$ 526,666</u>	<u>\$ 1,308,650</u>
Net change in fund balances - total governmental funds					\$ 126,792
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:					
Capital assets:					
Assets acquired					7,404
Provision for depreciation					(22,773)
Changes in other assets/liabilities:					
Net increase in prepaid expenses					267
Net decrease in deferred revenue					(2,735)
Change in net assets of <i>governmental activities</i>					<u>\$ 108,955</u>

See notes to the financial statements

Township of Charleston
STATEMENT OF NET ASSETS - proprietary fund
March 31, 2006

	<u>Water</u>
ASSETS	
Current assets:	
Cash	\$ 31
Receivables, net	<u>2,120</u>
Total current assets	2,151
Noncurrent assets - capital assets, net of accumulated depreciation	<u>1,046,871</u>
Total assets	<u>1,049,022</u>
LIABILITIES	
Current liabilities - accounts payable	<u>2,891</u>
NET ASSETS	
Invested in capital assets	1,046,871
Unrestricted	<u>(740)</u>
Total net assets	<u>\$ 1,046,131</u>

See notes to the financial statements

Township of Charleston
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - proprietary fund
Year ended March 31, 2006

	<u>Water</u>
OPERATING REVENUES	
Charges for services	<u>\$ 31,456</u>
OPERATING EXPENSES	
Maintenance and supplies	32,565
Utilities	4,153
Depreciation	<u>14,676</u>
Total operating expenses	<u>51,394</u>
OPERATING LOSS	(19,938)
TRANSFERS	
Transfer from General Fund	<u>2,700</u>
CHANGE IN NET ASSETS	(17,238)
NET ASSETS - BEGINNING	<u>1,063,369</u>
NET ASSETS - ENDING	<u>\$ 1,046,131</u>

See notes to the financial statements

Township of Charleston
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2006

	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 31,054
Payments to vendors and suppliers	<u>(35,078)</u>
Net cash used in operating activities	(4,024)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from General Fund	<u>2,700</u>
NET DECREASE IN CASH	(1,324)
CASH - BEGINNING	<u>1,355</u>
CASH - ENDING	<u><u>\$ 31</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (19,938)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	14,676
Increase in receivables	(402)
Increase in payables	<u>1,640</u>
Net cash used in operating activities	<u><u>\$ (4,024)</u></u>

See notes to the financial statements

Township of Charleston
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2006

ASSETS

Cash	\$ <u>77</u>
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LIABILITIES

Due to other governmental units	\$ <u>77</u>
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See notes to the financial statements

Township of Charleston
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Charleston, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Public Safety Fund accounts for the financial resources used for the operational costs of the Township's public safety functions. Revenues are primarily derived from property taxes.

The Township Improvement Revolving Fund accounts for Township improvements. Revenues are primarily derived from transfers and interest.

The Sewer Fund accounts for the repairs, maintenance, and extension of the Township's sewer lines. Revenues are primarily derived from special assessments.

The Township reports the following major proprietary fund:

The Water Fund accounts for the activities of the Township's water distribution and treatment system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2005.

The Township includes shared fire vehicle costs in the intangible assets of its governmental activities. These costs represent the Township's portion of fire vehicles that are owned by the Galesburg-Charleston Joint Fire Board.

Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	5 years
Water system	75 years
Intangible assets	15 years

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$ 5,000	\$ 7,480	\$ 2,480
	Other financing uses	2,841	17,700	14,859

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits	\$ 1,291,059	\$ 31	\$ 77	\$ 1,291,167
Cash on hand	816	-	-	816
	<u>\$ 1,291,875</u>	<u>\$ 31</u>	<u>\$ 77</u>	<u>\$ 1,291,983</u>

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2006, the Township had deposits with a carrying amount of \$1,291,167.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2006, \$1,022,526 of the Township's bank balances of \$1,326,928 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Interest</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:						
General	\$ 6,352	\$ 3,859	\$ -	\$ 4,576	\$ 20,253	\$ 35,040
Public safety	-	-	3,022	-	-	3,022
Public improvement	-	-	-	2,163	-	2,163
Sewer	-	-	187,025	17,109	-	204,134
Totals	<u>\$ 6,352</u>	<u>\$ 3,859</u>	<u>\$ 190,047</u>	<u>\$ 23,848</u>	<u>\$ 20,253</u>	<u>\$ 244,359</u>
Business-type activities:						
Water	<u>\$ 2,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,120</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,275</u>	<u>\$ 3,551</u>	<u>\$ -</u>	<u>\$ 167,826</u>

All receivables are considered fully collectible.

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 11,700	\$ -	\$ -	\$ 11,700
Capital assets being depreciated:				
Buildings and improvements	332,002	-	-	332,002
Equipment	31,200	7,404	-	38,604
Intangible assets	137,250	-	-	137,250
Subtotal	<u>500,452</u>	<u>7,404</u>	<u>-</u>	<u>507,856</u>
Less accumulated depreciation for:				
Buildings and improvements	105,819	7,431	-	113,250
Equipment	22,616	6,192	-	28,808
Intangible assets	25,817	9,150	-	34,967
Subtotal	<u>154,252</u>	<u>22,773</u>	<u>-</u>	<u>177,025</u>
Total capital assets being depreciated, net	<u>346,200</u>	<u>(15,369)</u>	<u>-</u>	<u>330,831</u>
Governmental activities capital assets, net	<u>\$ 357,900</u>	<u>\$ (15,369)</u>	<u>\$ -</u>	<u>\$ 342,531</u>
Business-type activities:				
Capital assets being depreciated - water system	\$ 1,100,683	\$ -	\$ -	\$ 1,100,683
Less accumulated depreciation for - water system	<u>39,136</u>	<u>14,676</u>	<u>-</u>	<u>53,812</u>
Business-type activities capital assets, net	<u>\$ 1,061,547</u>	<u>\$ (14,676)</u>	<u>\$ -</u>	<u>\$ 1,046,871</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government:	
General government	\$ 7,617
Public safety	9,150
Public works	<u>6,006</u>
Total governmental activities	<u>\$ 22,773</u>

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A summary of interfund transfers for the year ended March 31, 2006, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfer out</u>
Sewer	\$ 15,000	General	\$ 17,700
Water	<u>2,700</u>		
Totals	<u>\$ 17,700</u>	Totals	<u>\$ 17,700</u>

The transfer to the Water Fund from the General Fund is to pay for operating costs of the Water Fund.

The transfer to the Sewer Fund from the General Fund is to pay for operating costs of the Water Fund previously paid for by the Sewer Fund.

NOTE 7 - DEFERRED REVENUE:

As of March 31, 2006, the various components of deferred revenue are as follows:

<u>Fund</u>	<u>Interest Unavailable</u>	<u>Special assessments Unavailable</u>	<u>Totals</u>
Governmental activities:			
General	\$ 4,576	\$ -	\$ 4,576
Public Improvement	2,163	-	2,163
Sewer	<u>17,109</u>	<u>185,667</u>	<u>202,776</u>
Totals	<u>\$ 23,848</u>	<u>\$ 185,667</u>	<u>\$ 209,515</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Charleston
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - JOINT VENTURE:

The Galesburg-Charleston Fire Department (the Department) is a joint venture of the Township of Charleston and the City of Galesburg. The administrative board of the Department consists of five members: one at-large member and two members from each of the participating units. The budget of the Department must be approved by each of the participating units. The costs of operations and capital expenditures of the Department are supported by contributions from the participating units in equal shares. During the year ended March 31, 2006, the Township contributed \$51,500 to the Department for operations. Complete audited financial statements for the Department can be obtained from the Treasurer of the Department.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all full-time employees (over 20 hours per week) and Township trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% of each qualified employee's base salary to the plan, with a minimum annual contribution of \$150 per employee. The Township's contributions are fully vested immediately. The Township made the required contributions of \$8,961 for the year ended March 31, 2006.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2006, is as follows:

Revenues	\$ 11,070
Expenses	<u>13,519</u>
Deficiency of revenues over expenses	<u>\$ (2,449)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Charleston
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 127,331	\$ 127,331	\$ 136,296	\$ 8,965
Licenses and permits	16,000	16,000	17,510	1,510
State grants	113,000	113,000	125,604	12,604
Contributions from other units	-	-	6,352	6,352
Charges for services	5,700	5,700	6,761	1,061
Interest	6,000	6,000	13,332	7,332
Other	<u>7,475</u>	<u>7,475</u>	<u>9,555</u>	<u>2,080</u>
Total revenues	<u>275,506</u>	<u>275,506</u>	<u>315,410</u>	<u>39,904</u>
EXPENDITURES				
Legislative	<u>3,200</u>	<u>3,200</u>	<u>4,190</u>	<u>(990)</u>
General government:				
Supervisor	19,200	19,200	19,200	-
Election	3,200	3,200	1,251	1,949
Assessor	11,500	11,500	10,896	604
Clerk	17,500	17,500	16,500	1,000
Board of review	1,000	1,000	489	511
Treasurer	22,500	22,500	20,611	1,889
Hall and grounds	17,575	17,575	9,476	8,099
Cemetery	10,250	10,250	6,014	4,236
Other	<u>76,000</u>	<u>76,000</u>	<u>91,944</u>	<u>(15,944)</u>
Total general government	<u>178,725</u>	<u>178,725</u>	<u>176,381</u>	<u>2,344</u>
Public safety - building inspections	<u>15,000</u>	<u>15,000</u>	<u>14,893</u>	<u>107</u>
Public works:				
Highways and streets	25,000	25,000	23,335	1,665
Street lights	4,440	4,440	3,710	730
Refuse collection	<u>4,300</u>	<u>4,300</u>	<u>3,322</u>	<u>978</u>
Total public works	<u>33,740</u>	<u>33,740</u>	<u>30,367</u>	<u>3,373</u>
Community and economic development - planning and zoning	<u>17,000</u>	<u>17,000</u>	<u>10,017</u>	<u>6,983</u>

Township of Charleston**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture - library	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 18,340</u>	<u>\$ 160</u>
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>7,480</u>	<u>(2,480)</u>
Total expenditures	<u>271,165</u>	<u>271,165</u>	<u>261,668</u>	<u>9,497</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,341</u>	<u>4,341</u>	<u>53,742</u>	<u>49,401</u>
OTHER FINANCING USES				
Transfer out - Sewer Fund	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Transfer out - Water Fund	<u>(2,841)</u>	<u>(2,841)</u>	<u>(2,700)</u>	<u>141</u>
Total other financing uses	<u>(2,841)</u>	<u>(2,841)</u>	<u>(17,700)</u>	<u>(14,859)</u>
NET CHANGES IN FUND BALANCES	<u>1,500</u>	<u>1,500</u>	<u>36,042</u>	<u>34,542</u>
FUND BALANCES - BEGINNING	<u>423,303</u>	<u>423,303</u>	<u>423,303</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 424,803</u>	<u>\$ 424,803</u>	<u>\$ 459,345</u>	<u>\$ 34,542</u>

Township of Charleston
BUDGETARY COMPARISON SCHEDULE - Public Safety Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 300	\$ 300	\$ 1,030	\$ 730
Other	<u>76,157</u>	<u>76,157</u>	<u>76,753</u>	<u>596</u>
Total revenues	76,457	76,457	77,783	1,326
EXPENDITURES				
Public safety	<u>76,457</u>	<u>76,457</u>	<u>51,500</u>	<u>24,957</u>
NET CHANGES IN FUND BALANCES	-	-	26,283	26,283
FUND BALANCES - BEGINNING	<u>97,606</u>	<u>97,606</u>	<u>97,606</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 97,606</u>	<u>\$ 97,606</u>	<u>\$ 123,889</u>	<u>\$ 26,283</u>

Township of Charleston**BUDGETARY COMPARISON SCHEDULE - Township Improvement Revolving Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,733</u>	<u>\$ 7,733</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>7,733</u>	<u>7,733</u>
FUND BALANCES - BEGINNING	<u>191,017</u>	<u>191,017</u>	<u>191,017</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 191,017</u></u>	<u><u>\$ 191,017</u></u>	<u><u>\$ 198,750</u></u>	<u><u>\$ 7,733</u></u>

Township of Charleston
BUDGETARY COMPARISON SCHEDULE - Sewer Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 10,500	\$ 10,500	\$ 15,972	\$ 5,472
Other	<u>40,000</u>	<u>40,000</u>	<u>26,583</u>	<u>(13,417)</u>
Total revenues	50,500	50,500	42,555	(7,945)
EXPENDITURES				
Public works - Sewer	<u>-</u>	<u>-</u>	<u>821</u>	<u>(821)</u>
EXCESS OF REVENUES OVER EXPENDITURES	50,500	50,500	41,734	(8,766)
OTHER FINANCING SOURCES				
Transfer in - General Fund	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
NET CHANGES IN FUND BALANCES	50,500	50,500	56,734	6,234
FUND BALANCES - BEGINNING	<u>469,932</u>	<u>469,932</u>	<u>469,932</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 520,432</u>	<u>\$ 520,432</u>	<u>\$ 526,666</u>	<u>\$ 6,234</u>